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STATE OF NEW MEXICO  
ENERGY, MINERALS, AND NATURAL RESOURCES DEPARTMENT  
OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING CALLED  
BY THE OIL CONSERVATION DIVISION FOR  
THE PURPOSE OF CONSIDERING:

CASE NO. 15502

APPLICATION OF MATADOR PRODUCTION COMPANY  
FOR COMPULSORY POOLING AND APPROVAL OF AN  
UNORTHODOX GAS WELL LOCATION, EDDY COUNTY,  
NEW MEXICO

REPORTER'S TRANSCRIPT OF PROCEEDINGS  
EXAMINER HEARING  
THURSDAY, JULY 7, 2016  
SANTA FE, NEW MEXICO

This matter came on for hearing before the  
New Mexico Oil Conservation Division, Michael McMillan,  
Examiner, and David Brooks, Legal Examiner, on Thursday,  
July 7, 2016 at the New Mexico Energy, Minerals, and  
Natural Resources Department, Wendell Chino Building, 1220  
South St. Francis Drive, Porter Hall, Room 102, Santa Fe,  
New Mexico

REPORTED BY: Mary Therese Macfarlane  
New Mexico CCR 122  
PAUL BACA COURT REPORTERS  
500 Fourth Street NW, Suite 105  
Albuquerque, New Mexico 87102

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A P P E A R A N C E S

FOR THE APPLICANT: Jordan Lee Kessler, Esq.  
Holland & Hart  
110 North Guadalupe, Suite 1  
Santa Fe, New Mexico 87501  
(505) 988-4421  
jkessler@hollandhart.com

I N D E X

CASE NUMBER 15502 CALLED  
APPLICANT CASE-IN-CHIEF

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WITNESS: WILLIAM THOMAS ELESNER	
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EXAMINATION BY EXAMINER McMILLAN:	15

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3	APPLICANT		
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1 (Time noted: 8:36 a.m.)

2 THE HEARING OFFICER: Okay. I'd like to call  
3 Case No. 15502, Application of Matador Production Company  
4 for compulsory pulling and approval of an unorthodox gas  
5 well location, Eddy County, New Mexico.

6 Call for appearances.

7 MS. KESSLER: Jordan Kessler of the Santa Fe  
8 office of Holland & Hart on behalf of the Applicant.

9 EXAMINER McMILLAN: Any other appearances?

10 (Note: No response.)

11 MS. KESSLER: Two witnesses.

12 (Note: Whereupon the presenting witnesses  
13 were duly sworn.)

14 EXAMINER McMILLAN: You may proceed.

15 TREY GOODWIN,

16 having been duly sworn, testified as follows:

17 EXAMINATION

18 BY MS. KESSLER:

19 Q. Will you please state your name for the examiner  
20 and tell him by whom you are employed and in what  
21 capacity.

22 A. Yes. My name is Trey Goodwin. I'm an employee  
23 of MRC Energy Company, an affiliate of Matador Production  
24 Company, and I'm a senior landman.

25 Q. Have you previously testified before the

1 Division?

2 A. Yes.

3 Q. Were your credentials as a petroleum landman  
4 accepted and made a part of the record?

5 A. Yes.

6 Q. Are you familiar with the Application that's  
7 been filed in this case?

8 A. Yes.

9 Q. Are you familiar with the status of the lands in  
10 the subject area?

11 A. Yes.

12 MS. KESSLER: Mr. Examiner I would tender  
13 Mr. Goodwin as an expert in petroleum land matters.

14 EXAMINER McMILLAN: So qualified.

15 Q. (BY MS. KESSLER) Please turn to Exhibit 1 and  
16 explain what Matador seeks under this Application.

17 A. Exhibit 1, this is the C-102 for the Jim Tom  
18 Lontos 30, 23 South, 28 East RB 221H well. It has a  
19 surface hole location 492 feet from the south line, 467  
20 feet from the west line. This is a horizontal well where  
21 the producing interval will be unorthodox. It has a first  
22 perforation point of 330 feet from the south line, 330  
23 feet from the west line, and the last perforation point  
24 will be 330 feet from the north line, 330 feet from the  
25 west line. And we are seeking to form a gas spacing

1 proration unit that comprises of the acreage in the west  
2 half.

3 Q. That would be the west half of Section --

4 A. Section 30, 23 South, 28 East.

5 Q. -- 30, 23 South.

6 And that is Eddy County?

7 A. Yes.

8 Q. Do you seek to pool the uncommitted interest  
9 owners in the WolfCamp formation?

10 A. Yes.

11 Q. Has the Division designated a pool for this  
12 area?

13 A. Yes, this is the Black River Wolfcamp East Gas  
14 Pool with a pool code of 97442.

15 Q. So this gas pool has 660-foot setbacks; is that  
16 correct?

17 A. Yes.

18 Q. And you are seeking an unorthodox location?

19 A. Yes, ma'am.

20 Q. Turning to Exhibit 2, what is this exhibit?

21 A. Okay. Exhibit 2 and 3, these are the lists of  
22 the uncommitted working interests and the unleased  
23 interests that we are seeking to pool.

24 Matador has 85 percent working interest in  
25 the unit. We are seeking to pool 6 1/2 half percent, and

1 then there's another 7 percent that's not listed here that  
2 is working interest owners that's somebody else they're  
3 working with, and we are confident we are going-to reach  
4 an agreement with them.

5 Q. So you are not seeking to pool them today?

6 A. Correct.

7 Q. Looking at Exhibit 3, you mention that this  
8 shows the uncommitted interest owners that Matador seeks  
9 to pool. Correct?

10 A. Yes, ma'am.

11 Q. Are these all unleased mineral interest owners?

12 A. Yes.

13 Q. And looking at Exhibit 4, this is a Midland map  
14 of the subject area, correct?

15 A. Yes. And it shows that all the lands are fee.

16 Q. Is Exhibit 5 a copy of each of the well proposal  
17 letters that you sent to uncommitted interest owners?

18 A. Yes, ma'am. This is a copy of the well  
19 proposals that we sent on March 7th of 2016.

20 Q. And these letters each included an AFE, correct?

21 A. Yes.

22 Q. Are the costs reflected on that AFE consistent  
23 with what other operators in the area incur for drilling  
24 similar horizontal wells?

25 A. Yes.

1 Q. Has Matador made an estimate of overhead and  
2 administrative costs while drilling and producing this  
3 well?

4 A. Yes. We are asking for 7,000 for drilling and  
5 700 for producing.

6 Q. Are these costs similar to what other operators  
7 in the area charge for similar wells?

8 A. Yes.

9 Q. Do you ask the administrative and overhead costs  
10 be incorporated in the Order resulting from this hearing?

11 A. Yes.

12 Q. And that it be adjusted in accordance with the  
13 appropriate accounting procedures?

14 A. Yes.

15 Q. For the uncommitted interest owners, do you  
16 request the Division impose a 200 percent risk penalty?

17 A. Yes.

18 Q. In addition to sending the Well Proposal  
19 Letters, what additional efforts did you undertake to  
20 reach agreement?

21 A. We sent everyone leases, and worked with a  
22 third-party contractor to help us find and locate  
23 individuals. We also utilized online data base sources to  
24 find everyone, and made phone calls. And, uhm -- that's  
25 about it.

1 Q. Did you have conversations with some of these  
2 parties?

3 A. Yeah. There was only two of the parties that we  
4 were unable to locate. And those we did talk to family  
5 members to try to reach those folks.

6 Q. So take one step back and just point out that  
7 Exhibit 6 is a copy of the AFE that was sent with the Well  
8 Proposal Letters, correct?

9 A. Yes.

10 Q. Is Exhibit 7 a copy of the Notice that was  
11 published regarding this hearing?

12 A. Yes.

13 Q. And it provides notice to those two unlocatable  
14 interest owners, in addition to everybody else, correct?

15 A. Yes.

16 Q. Did you identify the parties affected by  
17 Matador's request for an unorthodox location?

18 A. Yes.

19 Q. And those are considered affected parties,  
20 correct?

21 A. Yes.

22 Q. Were all of those green cards returned for  
23 affected parties?

24 A. Yes.

25 Q. I believe that there were a couple that we were

1 still waiting on; is that correct?

2 A. Yes. Actually now I'm looking at Exhibit 9,  
3 yes, for the Notice that we sent out for the nonstandard  
4 location, yes, we still are waiting on a couple of green  
5 cards.

6 Q. Okay. Is that because the letters were sent by  
7 Jim Bruce and there has been some trouble collecting those  
8 cards?

9 A. Yes.

10 Q. Are you asking for a two-week continuance in  
11 order to collect those green cards?

12 A. Yes.

13 Q. Is Exhibit 8 an affidavit prepared by my office  
14 with attached letters providing notice of this hearing to  
15 the pooled parties?

16 A. Yes.

17 Q. Is Exhibit 9 an affidavit prepared providing  
18 notice of this hearing to the affected parties?

19 A. Yes.

20 Q. Were Exhibits 1 one through 6 prepared by you or  
21 compiled under your direction or supervision?

22 A. Yes.

23 MS. KESSLER: Mr. Examiner, I would move  
24 admission of Exhibits 1 through 9, which includes the  
25 affidavits.

1 EXAMINER McMILLAN: Exhibits 1 through 9  
2 may now be accepted as part of the record.

3 MS. KESSLER: That concludes our land  
4 presentation.

5 EXAMINATION

6 BY EXAMINER McMILLAN:

7 Q. Are there any depth severances?

8 A. No, sir, not in the Wolfcamp.

9 EXAMINER McMILLAN: Go ahead.

10 MR. BROOKS: I have nothing.

11 EXAMINER McMILLAN: Thank you.

12 WILLIAM THOMAS ELSENER,  
13 having been duly sworn, testified as follows:

14 EXAMINATION

15 BY MS. KESSLER:

16 Q. Would you please state your name for the record  
17 and tell the examiner by whom you are employed and in what  
18 capacity.

19 A. My name is William Thomas Elesner. I'm  
20 employed by MRC Energy Company, an affiliate of Matador  
21 Production Company. I'm a senior staff engineer and a  
22 team leader.

23 Q. Have you previously testified before the  
24 Division?

25 A. Yes.

1 Q. Were your credentials as a petroleum engineer  
2 accepted and made a matter of record?

3 A. Yes.

4 Q. Are you familiar with the Application that's  
5 been filed in this case?

6 A. Yes.

7 Q. Are you familiar with the status of the lands in  
8 the subject area?

9 A. Yes.

10 MS. KESSLER: I would tender Mr. Elesner as an  
11 expert in petroleum engineering.

12 EXAMINER McMILLAN: So qualified.

13 Q. (BY MS. KESSLER) Mr. Elesner, please turn to  
14 Exhibit 10 and identify this exhibit and walk us through  
15 it.

16 A. Exhibit 10 is a locator map showing the general  
17 location of the Jim Tom Lontos project area. This is in  
18 Eddy County, New Mexico, Township 23 South, 28 East.

19 Q. This shows the general location of the project  
20 area?

21 A. Yes.

22 Q. Turning to Exhibit 11, what is this exhibit?

23 A. Exhibit 11 is a structure map showing the top of  
24 the Wolfcamp and subsea depth. It shows that the depth of  
25 the Wolfcamp is consistent across the project area, and

1 that there's no major changes or impediments to drilling.

2 The surface location is on the south side  
3 of the project area and the bottom location is on the  
4 north side of the area.

5 Q. And this shows the dip in the area?

6 A. The dip is -- it's a gentle dip of about  
7 1 degree to the east.

8 Q. Was a cross section of logs prepared under your  
9 direction?

10 A. Yes.

11 Q. And do you consider the wells used on those set  
12 of logs to be representative of the Wolfcamp in this area?

13 A. Yes.

14 Q. If you would turn to Exhibit 12. Does this  
15 contain both a larger map and a smaller cross section -- a  
16 larger cross section and a smaller cross section?

17 A. Yes.

18 Q. Could you please walk us through the cross  
19 section exhibit.

20 A. The cross section is from north to south,  
21 covering the project area. It shows the Wolfcamp top and  
22 the Wolfcamp base, and it shows consistent formation,  
23 Wolfcamp formation across the entire length of the  
24 lateral.

25 Q. What conclusions have you drawn based on your

1 study of this area?

2 A. That there are no impediments to drilling, that  
3 horizontal development is the best development plan of  
4 action, and that each quarter quarter section will  
5 contribute to the production of this well.

6 Q. What is Exhibit 14?

7 A. Exhibit 14 is an isopach map of --

8 Q. Sorry, I skipped one. Exhibit 13.

9 A. Sorry. Exhibit 13 is an isopach map of the  
10 Wolfcamp which shows the thickness of the Wolfcamp on the  
11 project area. The project area has a thickness of  
12 approximately 1920 feet, and that is fairly consistent  
13 across the entire project area.

14 Q. And finally, Exhibit 14.

15 A. Exhibit 14 is a completion schematic showing the  
16 perforation points no closer than 330 feet from the south  
17 line and no closer than 330 feet from the north line.

18 Q. So Exhibit 14 demonstrates that this well will  
19 be unorthodox, right?

20 A. That's correct.

21 Q. In your opinion, will the granting of Matador's  
22 application be in the best interests of conservation, the  
23 prevention of waste, and the protection of correlative  
24 rights?

25 A. Yes.

1 Q. Were Exhibits 10 through 14 prepared under your  
2 direction or supervision?

3 A. Yes.

4 MS. KESSLER: Mr. Examiner, I would move to  
5 admit Exhibits 10 through 14.

6 EXAMINER McMILLAN: Exhibits 10 through 14 may  
7 now be accepted as part of the record.

8 MS. KESSLER: That concludes my examination.

9 EXAMINATION

10 BY EXAMINER McMILLAN:

11 Q. What's the oil gravity?

12 A. I expect the oil gravity to be approximately  
13 2050, and 54 degrees API for the condensate.

14 Q. What is the GOR?

15 A. I expect the GOR to be somewhere between 7,000  
16 and 14,000 standard cubic feet per barrel.

17 Q. And what's the color of it?

18 A. Kind of light yellow, a straw color.

19 Q. Is that a technical term?

20 A. Just a description.

21 Q. Straw color?

22 A. Yeah, straw.

23 Q. So your target interval, is it shale or is it  
24 sand?

25 A. The vast majority of it is shale, but you can

1 see on that cross section there are other lithologies.

2 Q. I don't know if you are the right person to ask,  
3 but why is the Pardue 30 column, which is -- why is that  
4 called a com?

5 That's the first thing on --

6 A. The Aspen well? Can you repeat the question?

7 Q. Why -- I don't understand -- if you -- why is  
8 the second well in the cross section, which is essentially  
9 where you're almost 20, right, why is that called a com  
10 well?

11 That's not your question?

12 It will be yours?

13 MR. GOODWIN: Yes.

14 EXAMINER McMILLAN: You normally see coms with  
15 state of -- it's just on of those things?

16 MR. GOODWIN: Yeah, it's one of those things.  
17 Some operators do that just to designate that it's not on  
18 just one lease, even though it's all fee lands.

19 EXAMINER McMILLAN: Okay. That threw me for a  
20 loop.

21 Okay. Go ahead.

22 MR. BROOKS: I have nothing.

23 EXAMINER McMILLAN: Okay. Thank you very much.  
24 And Case No. 15502 shall be continued till July  
25 21st.

1 MS. KESSLER: Thank you.

2 EXAMINER McMILLAN: Thank you.

3 And that concludes today's hearing. Thank  
4 you very much.

5 (Time noted 8:51 a.m.)

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1 STATE OF NEW MEXICO )  
2 : SS  
3 COUNTY OF TAOS )

## 4 REPORTER'S CERTIFICATE

5 I, MARY THERESE MACFARLANE, New Mexico  
6 Reporter CCR No. 122, DO HEREBY CERTIFY that on Thursday,  
7 July 7, 2015, the proceedings in the above-captioned  
8 matter were taken before me; that I did report in  
9 stenographic shorthand the proceedings set forth herein,  
10 and the foregoing pages are a true and correct  
11 transcription to the best of my ability and control.

12 I FURTHER CERTIFY that I am neither employed by  
13 nor related to nor contracted with (unless excepted by the  
14 rules) any of the parties or attorneys in this case, and  
15 that I have no interest whatsoever in the final  
16 disposition of this case in any court.

17

18 \_\_\_\_\_  
19 MARY THERESE MACFARLANE, CCR  
20 NM Certified Court Reporter No. 122  
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